

22 January 2010

Queensland Competition Authority  
GPO Box 2257  
BRISBANE QLD 4001

[electricity@qca.org.au](mailto:electricity@qca.org.au)

Dear Sir / Madam

***RE: Draft Decision: Proposed amendments to the Electricity Industry Code requiring prior notice for price changes***

Thank you for the opportunity to respond to the above mentioned Queensland Competition Authority review.

QCOSS welcomes the QCA's proposal to require retailers to take steps to notify market customers of price changes before they come into effect. We believe that preventing retailers from making retrospective price changes is an important measure that will improve consumers' ability to manage their electricity usage and costs, as well as contributing to increased consumer confidence in the electricity retail market and the development of retail competition. We also welcome the QCA's recognition of the imbalance between the rights of electricity retailers and those of consumers, and the ability of each to manage risks, in this area.

However, we do not feel that the amendments proposed by the QCA are sufficient to address this imbalance.

QCOSS supports the proposal to require retailers to give customers written notice of a price change before it comes into effect, but holds concerns about the proposal to allow retailers to provide notice via a newspaper advertisement. We do not believe this option is an appropriate means of notifying customers of an impending price change. We acknowledge retailers' concerns about the cost of individual written notification, but note that the figures quoted by Integral Energy equate to a cost of \$1.50 per customer. We do not consider such a cost to be an unreasonable burden in the context of price rises in the order of hundreds of dollars per year per customer. Allowing retailers to notify customers of price changes via a newspaper advertisement shifts most of the cost of notification on to customers. For customers who do not regularly purchase newspapers or have access to the internet, the costs associated with obtaining information about price changes are likely to be higher than the cost to the retailer of sending an individual notice. This is most likely to affect customers in the lower income quintiles, who are less likely to have access to the internet or purchase newspapers. This would mean that customers who are most vulnerable to increases in electricity prices were less likely to receive information about price changes.

Furthermore, QCOSS believes that notification via a newspaper advertisement following a bill message is an unreliable means of communicating with customers. Much of the information currently provided on electricity bills is not noticed or read

by customers unless they are looking for it. It is highly likely that many customers would not see a bill message warning of an impending price change. Nor can it be assumed that customers who do notice a bill message will remember to look for a newspaper advertisement published on a date which they may have been advised of up to three months earlier. Consequently, we believe that allowing notification via a newspaper advertisement would result in a significant proportion of customers not receiving information about price changes until after they had taken effect.

Accordingly, QCOSS recommends that the proposed Code amendments be altered, to require that retailers provide individual written notification of price changes to customers prior to the changes taking effect.

QCOSS holds further concerns about the wording of the proposed new clause 4.12.7(a), requiring individual written communication to include “details of how the increase will specifically affect the customer”. While we support this requirement in principle, it is unclear what level of detail the QCA would consider satisfied requirements under this clause. We recommend that the information required to be included in notices of price changes be specified in the Code. We further recommend that the Code amendments specify that the following information should be included in notices of price changes:

- the current charges or pricing structure;
- the expected charges or pricing structure after the change;
- the percentage by which the tariff will increase;
- the date the increase will take effect;
- how customers can obtain information on reducing their energy usage;
- whether any penalty will apply for early termination of a contract, and if so, the amount of the penalty (but see recommendations on early termination fees below); and
- an example, in dollar figures, of how the price change will affect customers. This could consist of either a statement advising how much the customers’ previous or average quarterly bill would have increased by, or a table showing the effect of the increase from various starting amounts, such as that published by Queensland Mines and Energy in response to the increase in notified prices in July 2009.

QCOSS also reiterates its previous recommendation that retailers be required to provide notification at least 20 business days in advance of a price change. Feedback provided to QCOSS indicates that it is not unusual for consumers living outside capital cities to experience mail delays, and as such 10 business days’ notice is not sufficient for these customers to receive information about a price change prior to the change taking effect. While we acknowledge that the timeframe relating to publication of notified prices may be a concern for retailers whose market offers are based on the notified prices, there is no requirement that retailers charge these tariff rates to market customers or that they increase market customers’ tariffs at the same time that the notified prices increase.

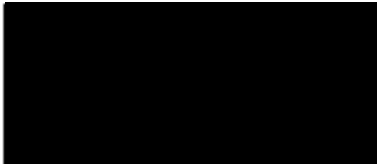
In making its draft decision, the QCA has acknowledged that the ability of retailers to increase prices and charge early termination fees results in an imbalance between the rights of retailers and those of consumers. QCOSS is encouraged by this acknowledgement, but does not believe that the proposed changes will be effective in addressing this situation. We acknowledge that requiring prior notification of price changes will reduce the risk to customers of being charged a higher rate for electricity than they were aware of at the time of consumption. However, the ability of retailers to increase prices during the term of a market contract, while also retaining the right to apply early termination fees, represents a

transfer of risk to customers whether or not they are informed of the price increase in advance. While the threat of transferring to a retailer who offers a better price could reduce consumers' pricing risks, the use of fixed term contracts with early termination fees limits customers' capacity to do so. Accordingly, we reiterate our recommendation that either early termination fees be prohibited, or that retailers are required to waive early termination fees in full should they increase prices during the term of a market contract.

QCOSS also supports the recommendation of the Financial Counsellors Association of Queensland, that retailers be required to provide the QCA with sufficient notice of changes to market offers to enable the accuracy of the price comparator to be maintained.

We look forward to continuing to represent the interests of Queensland consumers in all energy related matters. If you would like any further information or to clarify any aspect of this submission, please feel free to contact me on 3004 6900.

Yours sincerely



Jill Lang  
**Director**